2011 CONSOLIDATED FINANCIAL STATEMENTS

CITY OF TORONTO FINANCIAL REPORT

MANAGEMENT'S REPORT

The management of the City of Toronto ("City") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying consolidated financial statements.

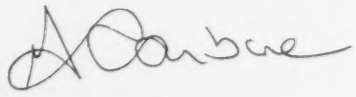
The consolidated financial statements have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. A summary of the significant accounting policies is disclosed in Note 1 to the consolidated financial statements.

To meet its responsibility, management maintains comprehensive financial and internal control systems designed to ensure the proper authorization of transactions, the safeguarding of assets and the integrity of the financial data. The City employs highly qualified professional staff and deploys an organizational structure that effectively segregates responsibilities, and appropriately delegates authority and accountability.

The Audit Committee, a sub-committee of City Council ("Council"), reviews and approves the consolidated financial statements before they are submitted to Council. In accordance with Council's directive, the Auditor General oversees the work of the external auditors performing financial statement attest audits. While it is important to recognize that the external audit is an independent process, the Auditor General's role is to ensure that all significant audit issues are appropriately addressed and resolved. In this context, the Auditor General participates in all significant meetings held between the external auditors and management.

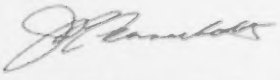
The 2011 consolidated financial statements have been examined by the City of Toronto's external auditors, PricewaterhouseCoopers LLP, and their report precedes the consolidated financial statements.

Toronto, Canada
July 13, 2012



Giuliana Carbone
Treasurer

Cam Weldon
Deputy City Manager & Chief Financial Officer



Joseph P. Pennachetti
City Manager

INDEPENDENT AUDITOR'S REPORT

To the Members of Council, Inhabitants and Ratepayers of the **City of Toronto**

We have audited the accompanying consolidated financial statements of the City of Toronto, which comprise the consolidated statement of financial position as at December 31, 2011 and the consolidated statements of operations and accumulated surplus, change in net debt, and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the City of Toronto as at December 31, 2011 and the results of its operations, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada
July 13, 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at December 31, 2011

(with comparative figures as at December 31, 2010)

(all dollar amounts in thousands of dollars)

	2011	2010
FINANCIAL ASSETS		
Cash	483,124	481,734
Accounts receivable (Note 2)	1,174,808	1,031,976
Property taxes receivable	244,209	300,387
Other assets (Note 3)	129,063	112,081
Investments (Note 4)	3,495,596	3,294,207
Due from Toronto District School Board (Note 12)	30,190	33,815
Investments in government business enterprises (Note 5)	1,716,093	1,259,784
Total financial assets	**7,273,083**	**6,513,984**
LIABILITIES		
Bank indebtedness (Note 6)	144,710	135,329
Accounts payable and accrued liabilities (Note 7)	2,535,913	2,443,527
Deferred revenue (Note 8)	1,512,593	1,439,639
Other liabilities (Note 9)	555,746	477,004
Landfill closure and post-closure liabilities (Note 10)	121,440	121,058
Mortgages payable (Note 11)	773,590	803,636
Net long-term debt (Note 12)	3,264,220	2,890,472
Employee benefit liabilities (Note 13)	2,776,167	2,588,957
Total liabilities	**11,684,379**	**10,899,622**
NET DEBT	**(4,411,296)**	**(4,385,638)**
NON-FINANCIAL ASSETS		
Tangible capital assets, net (Note 14, Schedule 1)	20,629,025	19,589,103
Inventories and prepaid expenses (Note 15)	294,343	281,589
	20,923,368	19,870,692
Commitments and contingencies (Note 16)		
ACCUMULATED SURPLUS (Note 17)	**16,512,072**	**15,485,054**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

for the year ended December 31, 2011

(with comparative figures for the year ended December 31, 2010)

(all dollar amounts in thousands of dollars)

	2011 BUDGET (Note 18)	2011 ACTUAL	2010 ACTUAL
	(unaudited)		
REVENUE			
Property taxation	3,762,308	3,907,433	3,859,765
Taxation from other governments	91,781	98,596	108,656
User charges	2,634,516	2,632,476	2,529,093
Funding transfers from other governments (Note 19)	3,403,246	3,148,351	3,173,242
Government Business Enterprise Earnings (Note 5)	–	188,041	153,294
Investment Income	154,581	248,397	265,990
Development charges	154,072	94,952	92,162
Rent and Concessions	351,559	386,073	372,959
Other	742,067	641,531	540,861
Total revenue	**11,294,130**	**11,345,850**	**11,096,022**
EXPENSES			
General government	1,173,332	1,195,957	1,065,764
Protection to persons and property	1,569,689	1,667,615	1,569,710
Transportation	2,716,864	2,642,260	2,833,944
Environmental services	1,017,088	871,059	883,897
Health services	410,731	399,207	401,271
Social and family services	2,141,751	2,049,481	2,040,833
Social housing	894,908	803,748	818,287
Recreation and cultural services	873,448	847,271	795,910
Planning and development	150,299	173,473	132,562
Total expenses (Note 20)	**10,948,110**	**10,650,071**	**10,542,178**
ANNUAL SURPLUS	**346,020**	**695,779**	**553,844**
ACCUMULATED SURPLUS - BEGINNING OF YEAR	**15,248,742**	**15,485,054**	**14,931,210**
GBE - Transition adjustments upon IFRS Adoption (Note 5)	–	**331,239**	–
ACCUMULATED SURPLUS – END OF YEAR (Note 17)	**15,594,762**	**16,512,072**	**15,485,054**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

for the year ended December 31, 2011

(with comparative figures for the year ended December 31, 2010)

(all dollar amounts in thousands of dollars)

	2011 BUDGET	2011 ACTUAL	2010 ACTUAL
	(unaudited)		
ANNUAL SURPLUS	**346,020**	**695,779**	**553,844**
Acquisition of tangible capital assets	(2,840,000)	(2,131,486)	(2,257,636)
Amortization of tangible capital assets	900,000	814,522	1,018,351
Loss on disposal of tangible capital assets	–	70,170	37,025
Recognition of TPLC as a government business enterprise (Note 5)	–	163,663	–
Reclassification of tangible capital assets as inventories	–	43,209	–
Proceeds on disposal of tangible capital assets	2,000	–	2,064
Change due to tangible capital assets	**(1,938,000)**	**(1,039,922)**	**(1,200,196)**
Change in inventories and prepaid expenses	**–**	**(12,754)**	**(75,090)**
GBE – Transition adjustment upon IFRS Adoption	**–**	**331,239**	**–**
Increase in net debt	(1,591,980)	(25,658)	(721,442)
NET DEBT – BEGINNING OF YEAR	(4,385,638)	(4,385,638)	(3,664,196)
NET DEBT – END OF YEAR	**(5,977,618)**	**(4,411,296)**	**(4,385,638)**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended December 31, 2011

(with comparative figures for the year ended December 31, 2010)

(all dollar amounts in thousands of dollars)

	2011	2010
OPERATING ACTIVITIES		
Annual surplus	695,779	553,844
Add (deduct) items not involving cash:		
Government business enterprises income from operations	(188,041)	(153,294)
Amortization of tangible capital assets	814,522	1,018,351
Loss on disposal of tangible capital assets	70,170	37,025
	1,392,430	1,455,926
Change in non-cash assets and liabilities related to operations:		
(Increase) decrease in accounts receivable	(154,797)	65,968
Decrease in property taxes receivable	56,178	12,701
Increase in accounts payable and accrued liabilities	92,386	419,795
Increase (decrease) in deferred revenue	72,954	(136,406)
Increase in other liabilities	78,742	92,498
Decrease (increase) in inventories and prepaid expenses	30,455	(75,090)
Increase (decrease) in landfill closure and post-closure liabilities	382	(2,285)
Increase in employee benefit liabilities	187,210	85,543
Cash provided by operating activities	**1,755,940**	**1,918,650**
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(2,131,486)	(2,257,636)
Recognition of TPLC as a government business enterprise	163,663	–
Proceeds on disposal of tangible capital assets	–	2,064
Cash applied to capital activities	**(1,967,823)**	**(2,255,572)**
INVESTING ACTIVITIES		
(Decrease) increase in other assets	(5,017)	37,098
Purchase of investments, net	(201,389)	(43,314)
Proceeds on repayment of note receivable – Toronto Hydro Corporation	–	528,000
Gain on sale of note receivable – Toronto Hydro Corporation	–	(37,885)
Proceeds on repayment of due from Toronto District School Board	3,625	4,022
TPLC net assets reported December 2010	(12,841)	–
Dividends and distributions from government business enterprises	75,812	84,293
Cash provided by (applied to) investing activities	**(139,810)**	**572,214**
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	9,381	(6,906)
Principal repayments on mortgages payable	(30,046)	(36,991)
Proceeds from long-term debt issued	735,585	965,185
Principal repayments on long-term debt	(291,103)	(816,666)
Interest earned on sinking funds	(67,110)	(52,610)
Principal repayments on debt by Toronto District School Board	(3,624)	(4,022)
Cash provided by (applied to) financing activities	**353,083**	**47,990**
Net increase in cash during the year	1,390	283,282
CASH – BEGINNING OF YEAR	481,734	198,452
CASH – END OF YEAR	**483,124**	**481,734**
SUPPLEMENTARY INFORMATION:		
Cash paid for interest on debt	263,608	256,160
Cash received for interest on investments	220,976	234,027

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011 *(all dollar amounts in thousands of dollars)*

The City of Toronto (the "City") is the largest city in Canada, and is the provincial capital of Ontario. The City was incorporated March 6, 1834. In 1998, the existing City was formed through the amalgamation of the City, Metropolitan Toronto, East York, Etobicoke, North York, Scarborough and York. The City operates under the provisions of the City of Toronto Act, 2006.

1. Summary of Significant Accounting Policies

Basis of accounting

The consolidated financial statements of the City have been prepared in accordance with Canadian generally accepted accounting principles established by the Public Sector Accounting Board ("PSAB") of The Canadian Institute of Chartered Accountants ("CICA").

Principles of consolidation

The consolidated financial statements include all organizations that are accountable for the administration of their financial affairs and resources to City Council ("Council") and are controlled by the City. These statements reflect the assets, liabilities, revenues and expenses of the operating fund, capital fund, reserves and reserve funds of the City and each entity, except for government business enterprises which are accounted for by the modified equity basis of accounting and the Toronto Waterfront Revitalization Corporation which is accounted for by proportionate consolidation.

Consolidated entities:

Agencies, Boards and Commissions:

- Board of Governors of Exhibition Place
- Board of Management of the Toronto Zoo
- Casa Loma Corporation
- Heritage Toronto
- Lakeshore Arena Corporation
- The North York Performing Arts Centre Corporation
- The Sony Centre for the Performing Arts
- St. Lawrence Centre for the Arts
- Toronto Atmospheric Fund ("TAF")
- Toronto Board of Health
- Toronto Community Housing Corporation ("TCHC")
- Toronto Licensing Commission
- Toronto Police Services Board
- Toronto Public Library Board
- Toronto Transit Commission ("TTC")
- Toronto Waterfront Revitalization Corporation ("TWRC") (1/3rd proportionately)
- Yonge-Dundas Square
- Build Toronto Inc.
- Invest Toronto Inc.
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC") (2010 only)

Arenas:

- Forest Hill Memorial
- George Bell
- Leaside Memorial Community Gardens
- McCormick Playground
- Moss Park
- North Toronto Memorial
- Ted Reeve Community
- William H. Bolton

Community Centres:

- 519 Church Street
- Applegrove
- Cecil Street
- Central Eglinton
- Community Centre 55
- Eastview Neighbourhood
- Harbourfront
- Ralph Thornton
- Scadding Court
- Swansea Town Hall

Business Improvement Areas:

- Albion/Islington Square
- Baby Points Gates
- Bloor Annex
- Bloor by the Park
- Bloorcourt Village
- Bloordale Village
- Bloor Street
- Bloor West Village
- Bloor-Yorkville
- Cabbagetown
- Chinatown
- Church-Wellesley Village
- College Promenade
- Corso Italia
- Crossroads of the Danforth
- Danforth Mosaic
- Danforth Village
- Dovercourt Village
- Downtown Yonge
- Dundas West
- Eglinton Hill
- Emery Village
- Fairbank Village
- Financial District
- Forest Hill Village
- Gerrard India Bazaar
- Greektown on the Danforth
- Harbord Street
- Hillcrest Village
- Historic Queen East
- Junction Gardens
- Kennedy Road
- Kensington Market
- Kingsway
- Korea Town
- Lakeshore Village
- Liberty Village
- Little Italy
- Little Portugal
- Long Branch
- Mimico by the Lake
- Mimico Village
- Mirvish Village
- Mount Dennis
- Mount Pleasant
- Oakwood Village
- Pape Village
- Parkdale Village
- Queen Street West
- Regal Heights Village
- Riverside
- Roncesvalles Village
- Rosedale Main Street
- Sheppard East Village
- St. Clair Gardens
- St. Lawrence Market Neighbourhood
- The Beach
- The Danforth
- The Dupont Strip
- The Eglinton Way
- The Waterfront
- Toronto Entertainment District
- Trinity Bellwoods
- Upper Village
- Uptown Yonge
- Village of Islington
- West Queen West
- Weston Village
- Wexford Heights
- Wychwood Heights
- Yonge-Lawrence Village
- York-Eglinton

All inter-fund assets and liabilities and sources of financing and expenses have been eliminated in these consolidated financial statements.

Government business enterprises

The following entities are accounted for in these consolidated financial statements as government business enterprises using the modified equity basis of accounting. Under the modified equity basis, the accounting principles of government business enterprises are not adjusted to conform to the City's accounting principles and inter-organizational transactions and balances are not eliminated. Inter-organizational gains and losses are however, eliminated on assets remaining within the government reporting entities at the reporting date.

- Enwave Energy Corporation ("Enwave")
- Toronto Hydro Corporation
- Toronto Parking Authority
- City of Toronto Economic Development Corporation c.o.b. Toronto Port Lands Company ("TPLC") (recognized as a GBE effective January 1, 2011)

Trust funds

Trust funds and their related operations administered by the City are not included in the consolidated financial statements, but are reported separately in the Trust Fund Financial Statements (Note 22).

Use of estimates and measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting year. Significant estimates and assumptions, which include employee benefit liabilities, property tax assessment appeals, property, liability and accident claims provisions, landfill closure and post-closure liabilities, and environmental provisions, are based on management's best information and judgment. Actual amounts, which are accounted for as they become known, may differ significantly from these estimates.

Tax revenues

Annually, the City bills and collects property tax revenues for municipal purposes as well as provincial education taxes on behalf of the Province of Ontario (the "Province") for education purposes. The authority to levy and collect property taxes is established under the City of Toronto Act, 2006, the Assessment Act, the Education Act, and other legislation.

The amount of the total annual property tax levy is determined each year through Council's approval of the annual operating budget. Municipal tax rates are set annually by Council for each class or type of property, in accordance with legislation and Council-approved policies, in order to raise the revenues required to meet operating budget requirements. Education tax rates are established by the Province each year in order to fund the cost of education on a Province-wide basis.

Property assessments, on which property taxes are based, are established by the Municipal Property Assessment Corporation ("MPAC"), a not-for-profit corporation funded by all of Ontario's municipalities. The current value assessment ("CVA") of a property represents an estimated market value of a property as of a fixed date. Assessed values for all properties within the municipality are provided to the City in the returned assessment roll in December of each year.

The amount of property tax levied on an individual property is the product of the CVA of the property (assessed by MPAC) and the tax rate for the class (approved by Council), together with any adjustments that reflect Council-approved mitigation or other tax policy measures, rebate programs, etc.

Property taxes are billed by the City twice annually. The interim billing, issued in January, is based on 50% of the total property's taxes in the previous year, and provides for the cash requirements of the City for the initial part of the year prior to Council's approval of the final operating budget and the approved property tax levy for the year. Final bills are issued in May, following Council's approval of the capital and operating budget for the year, the total property tax levy, and the property tax rates needed to fund the City's operations.

Taxation revenues are recorded at the time tax billings are issued. Additional property tax revenue can be added throughout the year, related to new properties that become occupied, or that become subject to property tax, after the return of the annual assessment roll used for billing purposes. The City may receive up to four supplementary assessment rolls over the course of the year from MPAC, identifying new or omitted assessments. Property taxes for these supplementary and/or omitted amounts are then billed according to the approved tax rate for the property class.

Taxation revenues in any year may also be reduced by reductions in assessment values resulting from assessment and/or property tax appeals. Each year, an amount is identified within the annual operating budget to cover the estimated amount of revenue loss attributable to assessment appeals, tax appeals or other deficiencies in tax revenues (e.g., uncollectible amounts, write-offs, etc.).

In Toronto, annual property tax increases for properties within the commercial, industrial and multi-residential tax classes have been subject to limitations on the maximum allowable year-over-year increase since 1998, in order to mitigate dramatic tax increases due to changes in assessed values.

In October 2005, Council adopted a staff report entitled "Enhancing Toronto's Business Climate – It's Everybody's Business," that introduced a number of new tax policy initiatives that began in 2006. These changes included limiting allowable annual tax increases on these property classes to 5% of the previous year's full CVA taxation level, and gradually reducing the proportion of the total property tax levy that is borne by the commercial, industrial and multi-residential classes through 2020.

Beginning in 2008, the City implemented two new taxes: the Municipal Land Transfer Tax and the Personal Vehicle Tax. These taxes apply to land sales and renewals of vehicle licenses. The revenues are transaction-based and are recognized at the time of the transaction: either registration of the sale of land or renewal of the personal vehicle license. In December 2010, Personal Vehicle Tax was discontinued for all renewals effective January 1, 2011 and beyond.

User charges

User charges relate to transit fees, utility charges (water, wastewater and solid waste), licensing fees, fees for use of various programs, and fees imposed based on specific activities. Revenue is recognized when the activity is performed or when the services are rendered.

Government transfers

Government transfers are transfers from senior levels of government that are not the result of an exchange transaction and are not expected to be repaid in the future. Government transfers are recognized in the fiscal year in which events giving rise to the transfer occur, providing the transfers are authorized, eligibility criteria have been met and reasonable estimates of the amounts can be made.

Development charges

Development charges are charges imposed on land development or redevelopment projects. Fees are set out in a City by-law, which conforms to the requirements of the Development Charges Act, 1997. Development charges are collected when an above grade building permit is issued, and recognized in revenues when used to fund capital projects.

Other revenue

Other revenues are recognized in the year that the events giving rise to the revenues occur and the revenues are earned. Amounts received which relate to revenues that will be earned in a subsequent year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the year that the events giving rise to the expenses occur and there is a legal or constructive obligation to pay.

Investments

Investments are recorded at amortized cost less any amounts written off to reflect a permanent decline in value. The majority of investments consists of authorized investments pursuant to provisions of the City of Toronto Act, 2006 and comprises government and corporate bonds, debentures and short-term instruments of various financial institutions. TCHC and TAF have their own investment policies, which allow them to invest in equities.

Investment income is reported as revenue in the period earned. Investment income earned on reserve funds that are set aside for specific purposes by legislation, regulation or agreement, is added to the fund balance and forms part of the respective deferred revenue balances.

Property and liability claims

Estimated costs to settle property and liability claims are actuarially determined, based on available loss information and projections of the present value of estimated future expenditures developed from the City's historical experience on loss payments. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expenditure, and are included in other liabilities on the consolidated statement of financial position.

TTC unsettled accident claims

The TTC has a self-insurance program for automobile and general liability claims. When claims are reported, case reserves are initially estimated on an individual basis by adjusters and lawyers employed by the TTC. A provision is made, on a present value basis, for claims incurred, for claims incurred-but-not-reported, and for internal and external adjustments.

Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance and costs can be reasonably determined.

The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation. Where the costs are deemed to be likely and reasonably determinable, claims are reported as an operating expense, and are included in other liabilities on the consolidated statement of financial position.

Landfill closure and post-closure liabilities

The costs to close existing landfill sites and to maintain closed solid waste landfill sites are based on estimated future expenditures in perpetuity in current dollars, adjusted for estimated inflation. These costs are reported as a liability on the consolidated statement of financial position.

Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recorded as deferred revenue and are recognized as revenue in the year the related expenses are incurred or services are performed, as this is the time the eligibility criteria have been met.

Derivative financial instruments

A derivative financial instrument (interest rate swap) is used to manage interest rate risk with respect to a certain TCHC term loan. TCHC does not account for its interest rate swap as a hedge, and as such, any realized or unrealized gains or losses are recognized in the consolidated statement of operations and accumulated surplus. The City also utilizes derivative financial instruments in the management of its purchase of electricity and natural

gas. The City's policy is not to use derivative financial instruments for trading or speculative purposes. Derivative contracts are recorded at their fair value as an asset or liability based on quoted market prices, with changes in fair value, if any, recorded in the consolidated statement of operations and accumulated surplus.

Employee benefit liabilities

The costs of termination benefits and compensated absences are recognized when the event that obligates the City occurs; costs include projected future income payments, health care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.

The costs of other employee benefit liabilities are actuarially determined using the projected benefits method pro-rated on service and management's best estimates of retirement ages of employees, salary escalation, expected health costs and plan investment performance. Accrued obligations and related costs of funded benefits are net of plan assets.

Past service costs from plan amendments related to prior period employee services are accounted for in the period of the plan amendment. The effects of a gain or loss from settlements or curtailments are expensed in the period they occur. Net actuarial gains and losses related to the employee benefits are amortized over the estimated average remaining service life of the related employee group. Employee future benefit assets are presented net of any required valuation allowance. Employee future benefit liabilities are discounted using current interest rates on long-term municipal debentures.

The costs of workplace safety and insurance obligations are actuarially determined and are expensed in the period they occur.

Tangible capital assets

Tangible capital assets (TCA) are recorded at historical cost or estimated historical cost based on appraisals or other acceptable methods where historical cost is not available. Cost includes amounts directly attributable to the acquisition, construction, development or betterment of an asset. The cost less expected residual value is amortized on a straight-line basis, over the estimated useful lives of the assets, at the following rates:

Asset	
Land improvements	15 – 70 years
Buildings and building improvements	25 – 100 years
Machinery and equipment	4 – 60 years
Motor Vehicles	6 – 20 years
Water and wastewater linear	60 – 100 years
Roads linear	25 – 70 years
Transit	10 – 65 years

One-half of the amortization is recorded in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is substantially complete and available for productive use.

Donated tangible capital assets are recorded at estimated fair market value as at the date of donation, and are also recorded in revenue.

Works of art, cultural, and historic assets are not recorded as assets in these consolidated financial statements.

The City does not capitalize interest costs associated with the acquisition or construction of tangible capital assets.

The cost of normal maintenance and repairs which does not add value to the asset or materially extend asset lives is not capitalized.

Reserves and reserve funds

Reserves and reserve funds are comprised of funds set aside for specific purposes by Council and funds set aside for specific purposes by legislation, regulation or agreement. For financial reporting purposes, reserve funds set aside by legislation, regulation or agreement are reported as deferred revenue on the consolidated statement of financial position. Other reserve funds and reserves are balances within the accumulated surplus.

2. Accounts Receivable

Accounts receivable consist of the following:

	2011	2010
	$	$
Government of Canada	316,131	254,476
Government of Ontario	228,338	149,997
Other municipal governments	26,346	40,065
School Boards	9,382	1,786
Utility fees	133,565	115,205
Other fees and charges	461,046	458,482
	1,174,808	**1,020,011**

3. Other Assets

Other assets consist of the following:

	2011	2010
	$	$
TCHC has entered into a loan agreement with Dundas and Parliament Development Corporation (DPDC) to finance the construction of condominium buildings. The construction loans are repayable upon sales closing of condominium units and are guaranteed by the co-tenancy partners as well as other affiliated companies. Advances earn interest at the bank's prime rate plus 0.28%.	2,470	26,366
TCHC has entered into a loan agreement with Parliament and Gerrard Development Corporation (PGDC) to finance the pre-development costs of condominium buildings. The loans are repayable when PGDC obtains construction financing for each condominium building. The loan facility to PGDC is guaranteed by the co-tenancy partners as well as other affiliated companies. Amounts are advanced under three separate non-revolving term facilities and earn interest at the bank's prime rate plus 0.50 %.	33,315	3,983
In 2010, loan receivable bearing interest at 5.60% per annum, maturing in 2017 with a balloon payment of $12,200. On March 18, 2011, Build Toronto Inc. replaced the $25,578 loan with a new loan facility of $34,500 at an interest rate of 1.95% reset monthly at a government agency's average monthly cost of funds and is secured by a leasehold mortgage, shareholder guarantees, and a first charge against the assets of Pinewood – Toronto Studios Inc. (PTSI). These funds could be accessed with, draw requests, until the third anniversary when the then outstanding amount is amortized over 25 years.	29,038	25,578
Loans receivable from community housing organizations bearing interest at rates from 0% to 5% (2010 – 0% to 5%) per annum, maturing from 2012 to 2044.	49,017	50,245
Mortgage receivable pertains to TCHC's property at 60 Richmond St. being leased to Hospitality Workers' Housing Coop for 27 years consisting of 1st mortgage $8,214 (2010 - $8,386) at interest rate of 4.87%, and 2nd mortgage $3,760 (2010 – 3,579) interest free with the new rate to be established upon expiry of the 1st mortgage.	11,974	11,965
Other	3,249	5,909
	129,063	**124,046**

4. Investments

Investments consist of the following:

	2011		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	449,882	509,380	449,882
Provincial government bonds	1,098,856	1,225,573	1,098,856
Municipal government bonds	472,894	522,807	472,894
Money market instruments	915,125	915,125	915,125
Corporate bonds	364,425	380,294	364,425
Other	194,414	237,075	194,414
	3,495,596	**3,790,254**	**3,495,596**

	2010		
	Cost	Market value	Carrying value
	$	$	$
Federal government bonds	498,451	527,682	498,451
Provincial government bonds	1,150,558	1,222,088	1,150,558
Municipal government bonds	526,466	560,931	526,466
Money market instruments	428,360	428,360	428,360
Corporate bonds	461,284	478,245	461,284
Other	231,113	247,397	229,088
	3,296,232	**3,464,703**	**3,294,207**

Municipal and Federal government bonds include bonds held in trust by the insurance carrier as collateral for the provision of automobile and primary liability insurance with a carrying value of $0 (2010 - $65,973). The weighted average yield on the cost of the bond investment portfolio during the year was 5.73% (2010 - 5.20%). Maturity dates on investments in the portfolio range from 2012 to 2041 (2010 - 2011 to 2039). Included in the City's municipal government bonds portfolio are City of Toronto debentures at coupon rates varying from 4.05% to 8.65% (2010 - 3.95% to 8.65%) with a carrying value of $179,915 (2010 - $182,703).

Other investments held by the City and its ABC's consist of the following:

	2011		
	Cost	Market value	Carrying value
	$	$	$
City investments	254	254	254
TCHC			
– Pooled investments	142,632	185,233	142,632
– Term deposits and other	6,762	6,762	6,762
TWRC	21,443	21,443	21,443
TAF	19,049	19,108	19,049
Build Toronto	3,313	3,313	3,313
Invest Toronto	956	957	956
St. Lawrence Centre for the Arts	5	5	5
	194,414	**237,075**	**194,414**

	2010		
	Cost	Market value	Carrying value
	$	$	$
City investments	231	231	231
TCHC			
– Pooled investments	159,806	175,359	159,806
– Cash management funds	43,949	43,949	43,949
– Term deposits and other	4,599	4,599	4,599
TAF	11,573	12,304	9,548
Build Toronto	1,662	1,662	1,662
Toronto Port Lands Company	9,293	9,293	9,293
	231,113	**247,397**	**229,088**

5. Investments in Government Business Enterprises (GBEs)

Government business enterprises consist of 100% interest in Toronto Hydro Corporation (a hydro-electric local distribution company), Toronto Parking Authority (an operator of public parking for the City of Toronto), Toronto Port Lands Company (a company involved in development of real estate in the Toronto port lands, reclassified as a GBE effective January 1, 2011), and an approximate 43% interest in Enwave (a provider of district heating and cooling within the downtown core of Toronto). In 2010, TPLC was included in the City's consolidation, as there was insufficient information at that time to conclude that TPLC was able to maintain its operations and meet its liabilities from revenues received from outside of the government reporting entity.

Details of the continuity of the book value of these investments are as follows:

	2011	2010
	$	$
Balance - beginning of year	1,259,784	1,190,783
TPLC net assets reported December 2010	12,841	–
January 2011 adjustments to TPLC net assets	20,057	–
Income from operations (Appendix 1)	163,637	150,016
Transition adjustment upon IFRS conversion – Toronto Port Lands Company	329,894	–
Transition adjustment upon IFRS conversion – Toronto Parking Authority	1,345	–
Dividends received (Appendix 1)	(33,063)	(25,000)
Distribution to City (Appendix 1)	(42,749)	(59,293)
Change in net book value of streetlighting assets eliminated on sale to Toronto Hydro Corporation (Appendix 1)	3,533	2,984
Change in net book value of water infrastructure assets eliminated on transfer from Enwave (Appendix 1)	814	294
Balance – end of year (Appendix 1)	**1,716,093**	**1,259,784**

The transition adjustment upon IFRS conversion for Toronto Port Lands Company is an adjustment to retained earnings under International Accounting Standard (IAS) 40, "Investment Property", and represents the cumulative unrealized gain with respect to TPLC's real estate properties and the reclassification of straight-line rent receivable, direct leasing costs, tenant improvements and tenant incentives.

Investment in Government Business Enterprise is comprised of equity and long-term subordinated debt as follows:

		2011	2010
		$	$
Toronto Hydro Corporation	Equity	1,074,183	1,007,781
Toronto Parking Authority	Equity	204,721	189,053
Enwave	Equity	21,603	62,950
	Debt	46,152	–
Toronto Port Lands Company	Equity	369,434	–
		1,716,093	**1,259,784**

Condensed financial results for each government business enterprise are disclosed in Appendix 1 to the notes to these consolidated financial statements. The results presented in Appendix 1 relate to fiscal years ended December 31 for Toronto Hydro Corporation, Toronto Parking Authority, and Toronto Port Lands Company, and October 31 for Enwave.

Government Business Enterprise Earnings on the Consolidated Statement of Operations and Accumulated Surplus consists of the following:

	2011	2010
	$	$
January 2011 Adjustments to TPLC net Assets	20,057	–
Income from Operations	163,637	150,016
Change in net book value of streetlighting assets – Toronto Hydro	3,533	2,984
Change in net book value of water infrastructure assets – Enwave	814	294
Government Business Enterprises Earnings	**188,041**	**153,294**

Related party transactions between the City and its government business enterprises are as follows:

	2011	2010
	$	$
Received by the City:		
The City has a loan receivable outstanding at December 31, 2011 with Toronto Port Lands Company on a construction loan facility	128,500	128,500
Purchased by the City:		
This amount is included in revenues of Toronto Hydro Corporation in the condensed financial results reported in Appendix 1 to these consolidated financial statements		
Streetlighting, electricity, and maintenance services from Toronto Hydro Corporation	147,469	141,912

Principal repayment due dates of long-term debt of the GBEs are as follows:

	Total	Due to City	Due to Others
	$	$	$
2012	131,068	128,500	2,568
2013	470,176	–	470,176
2014	868	–	868
2015	998	–	998
2016	1,961	–	1,961
Thereafter	1,085,422	–	1,085,422
	1,690,493	**128,500**	**1,561,993**

The City's GBEs are committed to the following minimum annual operating lease payments:

	$
2012	29,475
2013	24,963
2014	8,480
2015	7,451
2016	7,256
Thereafter	8,040
	85,665

There are 5 joint venture agreements between TPA and private developers, which generally provide for the sale of above-grade strata air rights and the acquisition of parking garages. These agreements cover 1,265 parking spaces and will require an outlay of $13,570.

Enwave has entered into contractual arrangements, in the ordinary course of business, to purchase and transport natural gas, at fixed and variable prices, to be used in the production process through October 2012. The estimated value of the gas to be purchased through these contracts is $19,116.

6. Bank indebtedness

The City has an unsecured demand revolving credit facility in the amount of $100,000 (2010 - $100,000) bearing interest at the bank's prime rate with an effective rate during 2011 of 3.00% (2010 – 3.00%) per annum.

TCHC has a committed revolving credit facility of $200,000 (2010 - $200,000) that is available for short-term advances and letters of credit, of which $70,860 (2010 - $63,176) has been utilized. Short-term advances are available by way of Bankers' Acceptance ("BA") and are repayable at maturity of the term on various dates throughout 2012. Interest charges are at the BA rate plus 1.10% for an effective rate of 2.36% (2010 - 2.22%) per annum. As at December 31, 2011, TCHC also has outstanding letters of credit of $6,499 (2010 - $10,716).

On May 29, 2010, Build Toronto Inc. re-financed its loan payable by entering into an interest only bridge loan of $29,000 with a government agency, bearing interest at bank prime, and maturing May 28, 2011. On March 18, 2011, the company refinanced its loan payable with the same government agency for $34,500 of which $29,037 is to replace the earlier loan, with the balance of $5,463 available to be drawn. The new facility bears interest at a floating rate reset monthly to the government agency's borrowing rate for the first three years, after which it will be fixed. As at December 31 the rate is 1.95%. Payments during the first three years of the facility are on an interest only basis, with the principal portion of the loan to be repaid over the subsequent 25 years.

Bank indebtedness consists of the following:

	2011	2010
	$	$
City, net outstanding cheques	41,035	43,153
TCHC	70,860	63,176
Build Toronto Inc.	32,815	29,000
	144,710	**135,329**

7. Accounts Payable and Accrued Liabilities

Accounts payable consist of the following:

	2011	2010
	$	$
Trade payables and accruals	1,542,485	1,588,567
School boards	260,470	182,805
Provision for assessment appeals on property taxes paid	487,309	452,766
Credit balances on property tax accounts	41,657	57,852
Wages accruals	203,992	161,537
	2,535,913	**2,443,527**

8. Deferred Revenue

(a) Obligatory reserve funds

Revenues received that have been set aside for specific purposes by Provincial legislation, certain City bylaws, or agreements are included in deferred revenue and reported on the consolidated statement of financial position.

Details of these deferred revenues are as follows:

	2011	2010
	$	$
Restricted by Provincial legislation		
Development Charges	317,368	273,942
Recreational Land (Planning Act)	261,055	204,200
Subdividers' Deposits	13,741	13,724
Building Code Act Service Improvement	15,370	11,168
Provincial Gas Tax	5,009	–
	612,543	503,034
Restricted by other agreements		
Public Transit Funds	383,520	485,136
Water and Wastewater	30,900	2,674
Community Services	70,738	67,129
Third Party Agreements	21,476	25,424
State of Good Repair	10,765	9,966
Parking Authority	2,858	2,423
	520,257	592,752
Total obligatory reserve funds	**1,132,800**	**1,095,786**

(b) Advanced payments and contributions

Revenues received for advance payments for tickets and building permits, program registration fees, contributions from developers according to Section 37 of the Planning Act and revenues deferred for TCHC's capital asset replacements are included in deferred revenue and reported on the consolidated statement of financial position. Details of these deferred revenues are as follows:

	2011	2010
	$	$
Community Services	59,956	62,710
Building Code Act	39,642	29,394
Section 37/45	-	1,519
Long-Term Care – Public Health and Housing	10,358	8,811
Police	1,654	5,734
Parks	5,212	6,811
MetroLinx – Union Station	28,429	–
Other	79,885	86,391
Agencies, Boards and Community Centres	154,657	142,483
Total advance payments and contributions	**379,793**	**343,853**
(c) Total Deferred Revenue (8 (a) and 8 (b))	**1,512,593**	**1,439,639**

9. Other Liabilities

Other liabilities consist of the following:

	2011	2010
	$	$
Property and liability claims provision (Note 16b)	296,221	218,808
TTC – unsettled accident claims (Note 16b)	157,833	142,884
TPLC – environmental liabilities	–	47,663
Build Toronto – environmental liabilities	20,010	–
TTC – environmental liabilities (Note 16h)	13,400	6,218
Other	68,282	61,431
	555,746	**477,004**

10. Landfill Closure and Post-Closure Liabilities

The Ontario Environmental Protection Act (the "Act") sets out the regulatory requirements for the closure and maintenance of landfill sites. Under the Act, the City is required to provide for closure and post-closure care of solid waste landfill sites. The costs related to these obligations are provided for all inactive landfill sites and active landfill sites based on usage.

Active Sites

In 2007, the City acquired the Green Lane Landfill, securing the City's long-term disposal requirements. The landfill is located in the Township of Southwold, Elgin County, Ontario. The landfill is projected to reach its approved capacity by the end of 2034, based on Toronto achieving a 70% residential waste diversion rate. The post-closure care period is expected to occur in perpetuity.

The estimated liability for the care of this landfill site is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2010 – 5%). The estimated present value of future expenditures for closure and post-closure care as at December 31, 2011 is $3,022 (2010 - $3,088), based on the percentage of total approved capacity used of 30.37% (2010 - 26.36%).

In order to help reduce the future impact of these obligations, the City has established two reserve fund accounts. The Green Lane account holds surpluses from the operations of the Green Lane landfill site, and the Green Lane Perpetual Care account provides funding for the future costs of long-term post-closure care of the Green Lane landfill site. The balance in the Green Lane account as at December 31, 2011 was $12,148 (2010 - $482) and the balance in the Green Lane Perpetual Care account as at December 31, 2011 was $1,527 (2010 - $878). Total contributions to the Green Lane Perpetual Care account of $640 (2010 - $221) were based on a contribution rate of 88¢ (2010 - 70¢) per tonne of waste disposed. Both of these reserve fund accounts are included as part of The State of Good Repair Reserve Fund (Note 17).

Inactive Sites

The City has identified 160 (2010 – 160) inactive landfill sites for which it retains responsibility for all costs relating to closure and post-closure care (Note 16i).

Post-closure care activities for landfill sites are expected to occur in perpetuity and will involve surface and ground water monitoring, maintenance of drainage structures, monitoring leachate and landfill gas, and maintenance of the landfill cover.

The estimated liability for the care of inactive landfill sites is the present value of future cash flows associated with closure and post-closure costs discounted using the City's average long-term borrowing rate of 5% (2010 – 5%). The estimated present value of future expenditures for post-closure care as at December 31, 2011 was $118,418 (2010 – $117,970).

In order to help reduce the future impact of these obligations, the City has established a reserve fund for the care of these sites and maintains a trust fund in satisfaction of requirements of the Ministry of the Environment. The balance in the solid waste management perpetual care reserve fund as at December 31, 2011 was $24,859 (2010 - $29,998) and is included as part of the State of Good Repair Reserve Fund (Note 17), and the balance in the Keele Valley Site Post-Closure Trust Fund as at December 31, 2011 was $7,444 (2010 - $7,421) (Note 22).

The total landfill closure and post-closure liabilities are as follows:

	2011	2010
	$	$
Active landfill site (Green Lane)	3,022	3,088
Inactive landfill sites	118,418	117,970
	121,440	**121,058**

Landfill closure and post-closure costs totaling $5,899 (2010 - $5,390) were expensed during the year.

11. Mortgages Payable

Mortgages payable are as follows:

	2011	2010
	$	$
Mortgages issued by TCHC, bearing interest at rates ranging from 2.86% to 11.00% (2010 – 2.65% to 13.27%) per annum, with maturities ranging from 2012 to 2048, and collateralized by housing properties owned by TCHC with a net book value of approximately $1,519,606 (2010 - $1,477,000)	773,590	803,636

Principal repayments are due as follows:

	$
2012	41,242
2013	43,339
2014	45,377
2015	47,497
2016	48,186
Thereafter	547,949
	773,590

Principal payments made in 2011 were $30,046 (2010 - $36,991).

12. Net Long-Term Debt

Provincial legislation restricts the use of long-term debt to finance only capital expenditures. Provincial legislation allows the City to issue debt on behalf of the Toronto District School Board ("TDSB") at TDSB's request. The responsibility of raising the amounts to service these liabilities lies with TDSB. The debt is a direct, joint and several obligation of the City and TDSB.

The net unsecured long-term debt reported on the consolidated statement of financial position comprises the following:

	2011	2010
	$	$
Debentures issued by the City, bearing interest at various rates ranging from 3.50% to 8.65% (2010 –1.56% to 8.65%) per annum, maturing from 2012 to 2041.	4,084,990	3,682,670
Debt issued by TCHC bearing interest at various rates ranging from 4.55% to 5.39% (2010 – 4.55% to 5.39%) per annum, maturing from 2012 to 2043. Included in this debt is a non-revolving term loan of $40,432 (2010 - $42,928) bearing interest at the 30-day BA rate plus 0.2% for an effective rate of 1.20% (2010 – 1.32%) per annum and maturing in 2018. TCHC has entered into an interest rate swap agreement to fix the term loan rate at 4.55% plus a 20 basis point BA stamping fee, maturing February 15, 2018. The estimated fair value loss of the interest rate swap at December 31, 2011 is $6,119 (2010 - $4,193).	508,283	574,315
Debentures issued by the City on behalf of the TDSB, bearing interest at 6.1% (2010 – 6.1%) per annum, maturing from 2012 to 2037.	75,846	75,846
Loans payable to the Province, bearing interest at 2.76% (2010 – 2.76%) per annum, with no fixed maturity date.	170,171	170,171
Loan payable, bearing interest at 8.05% (2010 – 8.05%) per annum, maturing in 2018.	1,078	1,194
Debt issued by Lakeshore Arena Corporation ranging from 1.60% to 5.23%. Included in this debt is a fixed rate loan with interest at 5.23% with principal payable monthly and a lump sum payment due October 31, 2017, as well as 3 floating rate loans with interest rates from 1.60% to 4.25% with full settlement due September 30, 2014.	39,547	–
Sinking fund deposits bearing interest at rates between 4% and 6% (2010 – 4% to 6%) per annum.	(1,570,039)	(1,571,693)
Sinking fund deposits – TDSB, bearing interest at 5% (2010 – 5%) per annum.	(45,656)	(42,031)
	3,264,220	**2,890,472**

Principal repayments are due as follows:

	$
2012	464,320
2013	351,014
2014	357,087
2015	306,841
2016	255,797
Thereafter	1,529,161
	3,264,220

Principal payments made in 2011 were $198,898 (2010 - $816,666).

Included in net long-term debt are outstanding debentures of $3,848,000 (2010 - $3,398,000) for which there are sinking fund assets with a carrying value of $1,615,652 (2010 - $1,613,692) and a market value of $1,777,100 (2010 - $1,704,817).

Sinking fund assets are comprised of short-term notes and deposits, government and government-guaranteed bonds and debentures, and corporate bonds. Government and government-guaranteed bonds and debentures include City of Toronto debentures with a carrying value of $146,944 (2010 - $138,574) and a market value of $168,079 (2010 - $151,172).

The City's net long-term debt is to be recovered from the following sources:

	2011	2010
	$	$
Property taxes	2,686,200	2,282,342
TCHC	508,283	574,315
Lakeshore Arena	39,547	–
TDSB	30,190	33,815
	3,264,220	**2,890,472**

13. Employee Benefit Liabilities

Employee benefit liabilities as at December 31 are as follows:

	2011	2010
	$	$
Future payments required for:		
Sick leave benefits (a)(i)	479,559	434,545
WSIB obligations (a)(ii)	459,565	410,670
Other employment and post-employment benefits (a)(iii)	2,115,655	1,799,982
Pension liabilities (b)	123,980	29,185
Total employee accrued benefit obligation	3,178,759	2,674,382
Unamortized actuarial (loss)	(402,592)	(85,425)
Employee benefit liabilities	**2,776,167**	**2,588,957**

The continuity of the City's **employee benefit liabilities**, in aggregate, is as follows:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,588,957	2,683,619	(123,847)	29,185
Current service costs	279,397	218,226	61,171	–
Interest cost	106,489	115,284	(4,598)	(4,197)
Amortization of actuarial loss	209,585	7,755	36,844	164,986
Employer contributions	(106,681)	–	(92,055)	(14,626)
Benefits paid	(187,052)	(187,052)	–	–
Plan amendments	67,576	1,875	65,701	–
Change in valuation allowance	(182,104)	–	(130,736)	(51,368)
Balance – end of year	**2,776,167**	**2,839,707**	**(187,520)**	**123,980**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	2,503,414	2,559,328	(165,599)	109,685
Current service costs	239,544	188,681	50,863	–
Interest cost	109,136	119,340	(6,220)	(3,984)
Amortization of actuarial loss/(gain)	(85,591)	1,629	28,253	(115,473)
Employer contributions	(84,785)	–	(84,785)	–
Benefits paid	(194,269)	(183,047)	–	(11,222)
Plan amendments	1,837	(2,312)	4,149	–
Change in valuation allowance	99,671	-	49,492	50,179
Balance – end of year	**2,588,957**	**2,683,619**	**(123,847)**	**29,185**

The continuity of the **accrued benefit obligation**, in aggregate, is as follows:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	6,129,570	2,683,619	1,693,037	1,752,914
Current service cost	279,397	218,226	61,171	–
Interest cost	324,228	115,284	106,701	102,243
Amortization of actuarial loss	128,854	7,755	42,259	78,840
Benefits paid	(443,772)	(187,052)	(83,125)	(173,595)
Plan amendments	67,576	1,875	65,701	–
Balance – end of year	**6,485,853**	**2,839,707**	**1,885,744**	**1,760,402**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	6,014,234	2,559,328	1,564,102	1,890,804
Current service cost	239,544	188,681	50,863	–
Interest cost	323,842	119,340	98,452	106,050
Amortization of actuarial loss/(gain)	(9,412)	1,629	54,944	(65,985)
Benefits paid	(440,475)	(183,047)	(79,473)	(177,955)
Plan amendments	1,837	(2,312)	4,149	–
Balance – end of year	**6,129,570**	**2,683,619**	**1,693,037**	**1,752,914**

The continuity of the **plan asset** is as follows:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,667,347	–	1,850,518	1,816,829
Contributions	106,681	–	92,055	14,626
Actual return on assets	73,335	–	53,041	20,294
Benefits paid	(256,720)	–	(83,125)	(173,595)
Balance – end of year	**3,590,643**	**–**	**1,912,489**	**1,678,154**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Balance – beginning of year	3,496,131	–	1,672,091	1,824,040
Contributions	96,007	–	84,785	11,222
Actual return on assets	332,637	–	173,115	159,522
Benefits paid	(257,428)	–	(79,473)	(177,955)
Balance – end of year	**3,667,347**	**–**	**1,850,518**	**1,816,829**

The reconciliation of the plan assets and accrued benefit obligation to the amounts in the statement of financial position is as follows:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	6,700,925	3,054,779	1,885,744	1,760,402
Plan assets	3,590,643	–	1,912,489	1,678,154
Funding deficit (surplus)	3,110,282	3,054,779	(26,745)	82,248
Unamortized actuarial (losses)	(402,592)	(215,072)	(187,520)	–
Valuation allowance	68,477	–	26,745	41,732
Employee benefit liability (asset)	**2,776,167**	**2,839,707**	**(187,520)**	**123,980**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Accrued benefit obligation	6,091,148	2,645,197	1,693,037	1,752,914
Plan assets	3,667,347	–	1,850,518	1,816,829
Funding deficit (surplus)	2,423,801	2,645,197	(157,481)	(63,915)
Unamortized actuarial (losses) gains	(85,425)	38,422	(123,847)	–
Valuation allowance	250,581	–	157,481	93,100
Employee benefit liability (asset)	**2,588,957**	**2,683,619**	**(123,847)**	**29,185**

The total expenses related to these employee benefits include the following components:

	2011			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	279,397	218,226	61,171	–
Interest cost	106,489	115,284	(4,598)	(4,197)
Amortization of actuarial loss	209,585	7,755	36,844	164,986
Plan amendments	67,576	1,875	65,701	–
Change in valuation allowance	(182,104)	–	(130,736)	(51,368)
Total expense	**480,943**	**343,140**	**28,382**	**109,421**

	2010			
	Total	Employment and post-employment	TTC Pension Plan	City Pension Plans
	$	$	$	$
Current service costs	239,544	188,681	50,863	–
Interest cost	109,136	119,340	(6,220)	(3,984)
Amortization of actuarial loss/(gain)	(85,591)	1,629	28,253	(115,473)
Plan amendments	1,837	(2,312)	4,149	–
Change in valuation allowance	99,671	–	49,492	50,179
Total expense	**364,597**	**307,338**	**126,537**	**(69,278)**

a) Sick leave benefits, WSIB obligations, and other employment and post-employment benefits

Actuarial valuation reports were prepared for the valuation of post-retirement, post-employment, sick leave gratuity and self-insured Workplace Safety Insurance Board ("WSIB") benefit plans for the City, Toronto Police Services and the City's Agencies, Boards and Commissions as at December 31, 2011 with results extrapolated to December 31, 2012. The significant actuarial assumptions adopted in measuring the City's accrued benefit obligations and benefit costs for these post-retirement and post-employment, and other retirement benefits are as follows:

	2011	2010
Discount rate for accrued benefit obligation:		
Post-employment	3.1%	4.0%
Post-retirement	3.8%	4.7%
Sick leave	3.5%	4.4%
WSIB	3.1%	4.0%
Rate of compensation increase	3.0% to 3.75%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.57% to 10.1%	7.57% to 10.1%
Health care inflation – Dental care	3.8% to 10.1%	3.8% to 10.1%
Health care inflation – Drugs	7.8% to 10.1%	7.6% to 10.1%

	2011	2010
Discount rate for benefit costs:		
Post-employment	4.0%	4.4%
Post-retirement	4.7%	5.3%
Sick leave	4.4%	4.4%
WSIB	4.0%	4.4%
Rate of compensation increase	3.0% to 3.5%	3.0% to 3.5%
Health care inflation – LTD, hospital and other medical	7.57% to 10.1%	7.64% to 10.1%
Health care inflation – Dental care	3.8% to 10.1%	4.0% to 10.1%
Health care inflation – Drugs	7.6% to 10.1%	7.8% to 10.1%

For 2011 benefit costs and year end 2011 benefit obligation, the health care inflation rate for LTD, hospital, other medical, and drugs is assumed to reduce to 4.0% by 2020. The health care inflation rate for dental care is assumed to reduce to 3.0% by 2015.

i. Vested Sick Leave Benefit Liability

Under the sick leave benefit plan, employees are credited with a maximum of 18 days sick time per annum. Unused sick leave can accumulate and employees may become entitled to a cash payment, capped at one half (or 100% for former City of Toronto employees who retire) of unused sick time to a maximum of 130 days when they leave the City's employment. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could be taken in cash by employees on termination of employment. A sick leave reserve fund is established to help reduce the future impact of these obligations.

Effective March 1, 2008, a new short-term disability plan for all management and non-union employees (approximately 4,000) came into effect. Under the new plan, existing employees in this group, who had a vested payout entitlement (10 or more years of service), had their sick days and service frozen as of March 1, 2008 and are entitled to a future payout of this frozen entitlement upon termination based on the former municipality's policy provisions. Employees with less than 10 years of service as of March 1, 2008 had their days frozen and are not be entitled to a future payout. Instead, they can use these days to top up their short-term disability plan, if necessary. The new short-term disability plan does not have a cash payout provision and will help contain sick leave benefit liabilities over time.

In addition, effective July 31, 2009, the City ratified new collective agreements with TCEU Local 416 and CUPE Local 79, which provided for a new Illness or Injury Plan ("IIP") to replace the existing Sick Pay Plan ("SPP") for all employees hired after July 31, 2009. During 2009, all employees hired on or before the date of ratification who were in an SPP were provided with a one-time option to join the new IIP, effective January 1, 2010, and receive a partial payout of their sick credits or freeze their sick credits for a payout upon termination/retirement. As a result, 40% of this group of employees joined the IIP, reducing the City's sick leave liability.

As of December 31, 2011, the balance in the sick leave reserve fund is $14,289 (2010 - $13,657) and is included as part of Employee Benefits Reserve Fund (Note 17). Payments during the year amounted to $35,097 (2010 - $50,333).

ii. WSIB Obligations

The City is a Schedule 2 employer under the Workplace Safety and Insurance Act and, as such, assumes responsibility for financing its workplace safety insurance costs. The accrued obligation represents the actuarial valuation of claims to be insured based on the history of claims with City employees. A Workers' Compensation Reserve Fund was established to help reduce the future impact of these obligations. As at December 31, 2011, the balance in the Workers' Compensation Reserve Fund is $12,090 (2010 - $16,987) and is included as part of the Employee Benefits Reserve Fund (Note 16). Payments during the year by the City to the WSIB amounted to $38,076 (2010 - $41,305).

iii. Other Employment and Post-Employment Benefits

The City provides health, dental, life insurance and long-term disability benefits to certain employees. The accrued liability represents the actuarial valuation of benefits to be paid based on the history of claims with City employees. An employee benefits reserve fund was established to help reduce the future impact of these obligations. As at December 31, 2011, the balance in the employee benefits reserve fund was $138,249 (2010 - $151,942) and is included as part of Employee Benefits Reserve Fund (Note 16). Payments during the year amounted to $55,093 (2010 - $61,962).

b) Pension benefits

i. OMERS Pension Plan

The City makes contributions to the Ontario Municipal Employees' Retirement System plan ("OMERS"), a multi-employer pension plan, on behalf of most of its employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on length of service and rates of pay. Employees and employers contribute jointly to the plan.

Because OMERS is a multi-employer pension plan, the City does not recognize any share of the pension plan deficit of $9,627,000 (2010 - $6,745,000) based on the fair market value of the Plan's assets, as this is a joint responsibility of all Ontario municipalities and their employees. Employer contributions for current service amounted to $145,214 (2010 - $126,997) and were matched by employee contributions in a similar amount.

The amount contributed for past service to OMERS for the year ended December 31, 2011 was $835 (2010 - $539). Employer's contributions for current and past service are included as an expenditure on the consolidated statement of operations and accumulated surplus.

ii. TTC Pension Plan

The TTC participates in a multi-employer, defined benefit/defined contribution hybrid pension plan (the "hybrid pension plan") that covers substantially all of its employees. The pension plan is operated by the Toronto Transit Commission Pension Fund Society (the "Society"), a separate legal entity. The Society provides pensions to members, based on the length of service and average base year (pensionable) earnings. The Society also

administers defined benefit supplemental plans designed to pay employees and executives the difference between their earned pension under the by-laws of the Society and the maximum allowable pension under the Income Tax Act (Canada). The City has accounted for its 50% portion of the plan in accordance with the standards for defined benefit plans.

Actuarial valuations of the pension plan are carried out each year, as at December 31, with the most recent valuation carried out on December 31, 2011. Plan assets are carried at market value. Since there is uncertainty about the TTC's right to the funded surplus, these amounts have not been reflected in the consolidated statement of financial position. As a result, the accrued benefit asset as at December 31, 2011 and 2010 is comprised solely of unamortized actuarial losses.

The significant actuarial assumptions for the TTC Pension plan are as follows:

	2011	2010
Discount rate	6.00%	6.25%
Expected rate of return on plan assets	6.00%	6.25%
Rate of increase in salaries	3.75%	3.50%
Inflation rate	2.25%	2.00%
Assumptions for disclosure:		
Discount rate	5.75%	6.00%
Expected rate of return on plan assets	5.75%	6.00%
Rate of increase in salaries	3.75%	3.75%
Inflation rate	2.25%	2.25%

iii. City Sponsored Pension Plans

The City sponsors five defined benefit pension plans that provide benefits to employees who were employed prior to the establishment of the OMERS pension plan. The plans cover closed groups of employees hired prior to July 1, 1968 and provide for pensions based on length of service and final average earnings.

The plans provide increases in pensions to retirees and their spouses to the extent that an actuarial surplus is available. As at December 31, 2011, there were 7 (2010 – 15) active members with an average age of 66 (2010 – 65). There were also 4,323 (2010 – 4,702) pensioners and 2,814 (2010 – 2,827) spousal beneficiaries in receipt of a pension, with an average age of 79. Pension payments and refunds during the year were approximately $173,595 (2010 - $177,955).

Employees contribute a portion (varying amounts ranging from 5.0% to 5.5%) of their salary to the pension plans for current service and the City contributes an equal amount. Member contributions cease upon completion of 35 years of service.

While the City and employees are required to contribute equal amounts into the pension plans, the City retains the risk of the accrued benefit obligation.

Actuarial valuations for funding purposes for each of the five plans are carried out annually using the projected benefit method pro-rated on service. The most recent actuarial funding reports were prepared as at December 31, 2011. The accrued benefit obligation as at December 31, 2011 is based on actuarial valuations for accounting purposes as at December 31, 2011. The actuarial gains or losses in each of the five plans are accounted for in 2011.

The actuarial valuations were based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the City's best estimates. The inflation rate is estimated at 2.25% to 2.50% per annum (2010 –2.25% to 2.50%) and the rate of compensation increase is estimated at 3.50% per annum (2010 – 3.50% to 4.50%) for determining the accrued benefit obligation. The discount rates used to determine the December 31, 2011 accrued benefit obligations is 5.70% (2010 – 5.90% to 6.25%) and the discount rate used to determine the fiscal 2011 benefit cost is 5.90% to 6.25% (2010 – 6.00% to 6.50%) per annum.

Pension plan assets are valued at market values. The expected rate of return on plan assets is 5.90% to 6.25% (2010 – 6.00% to 6.50%) per annum, net of all administrative expenses. The actual return on the market value of plan assets during the year was a gain of 2.30% (2010 – 9.34%). The pension plans hold the following mix of assets: Cash and equivalents of 2.4%, bonds and fixed income of 50.6%, Canadian equities of 20.9% and Foreign equities of 26.1%.

As at December 31, 2011 one plan (2010 – two plans), the Toronto Civic Employees Pension Plan is in a surplus position. Since there is uncertainty about the City's right to this accrued benefit asset, this amounts has not been reflected in the consolidated statement of financial position.

The other four plans (2010 – three plans), Metropolitan Toronto Police Pension Plan, City of York Employee Pension Plan, Metropolitan Toronto Pension Plan, and Toronto Firefighters Pension Plan, are in a deficit position. The net actuarial deficits of these plans are included in employee benefit liabilities on the consolidated statement of financial position as at December 31 and include the following components:

	2011			2010
	Pension assets – market value – end of year	Actuarial pension obligation – end of year	Net actuarial surplus (deficit)	Net actuarial surplus (deficit)
	$	$	$	$
Toronto Civic Employees Pension Plan	341,647	299,915	41,732	77,167
Metropolitan Toronto Pension Plan	520,157	550,027	(29,870)	15,933
Metropolitan Toronto Police Pension Plan	523,187	576,882	(53,695)	(21,153)
City of York Employee Pension Plan	46,359	51,299	(4,940)	(3,944)
Toronto Firefighters Pension Plan	246,804	282,279	(35,475)	(4,088)
Total of plans in deficit			**(123,980)**	**(29,185)**

14. Tangible capital assets

Tangible capital assets consist of the following:

	2011			2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
General				
Land	3,495,721	–	3,495,721	3,538,445
Land Improvements	627,924	305,736	322,188	325,499
Buildings and building improvements	6,169,364	2,160,676	4,008,688	3,835,180
Machinery and equipment	1,578,586	914,389	664,197	575,294
Motor vehicles	1,956,927	1,209,100	747,827	802,318
Total General	**13,828,522**	**4,589,901**	**9,238,621**	**9,076,736**
Infrastructure				
Land	137,676	–	137,676	137,676
Buildings and building improvements	384,794	125,825	258,969	244,662
Machinery and equipment	1,493,362	832,963	660,399	574,497
Water and wastewater linear	5,110,148	1,880,570	3,229,578	3,166,652
Roads linear	3,929,635	1,809,276	2,120,359	2,075,555
Transit	5,388,230	3,305,897	2,082,333	1,936,496
Total Infrastructure	**16,443,845**	**7,954,531**	**8,489,314**	**8,135,538**
Assets under construction	**2,901,090**	–	**2,901,090**	**2,376,829**
Total	**33,173,457**	**12,544,432**	**20,629,025**	**19,589,103**

General capital assets include those assets which are not part of a network. Land includes all of the City's land except land under the roads. Land improvements included outdoor parks and recreation facilities, land improvements around buildings, and the active landfill site. Buildings include office buildings, community centres, police, fire and ambulance stations, TCHC housing units and transit buildings. Machinery and equipment includes equipment used by Fire and Emergency Medical Services as well as computers and furniture. Corporate fleet and transit buses make up the vehicle assets.

Infrastructure assets are described as those capital assets which are part of one of three networks: roads, water/wastewater, and transit. The land within this category is the value of the land under the City's roads. Water and wastewater treatment plants, pumping stations, and storm facilities are included within infrastructure buildings and building improvements. Machinery and equipment include expressway signs and traffic signals, as well as equipment within the water and wastewater treatment plants and pumping stations related to the relevant processes. Water and wastewater infrastructure include the pipe networks which deliver the water and which remove the waste water. Road networks are inclusive of the road bases, surfaces and sidewalks. Transit infrastructure includes assets related to the subway system, rolling stock, track work and power distribution.

General machinery and equipment includes capital leases totaling $13,679 (2010 - $15,078).

Contributed (Donated) Tangible Capital Assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. Contributed assets received during the year were valued at $10,661 (2010 - $1,197), all of which were land contributions.

Tangible Capital Assets Recognized at Nominal Value

Tangible capital assets are recognized at nominal value whenever fair value cannot be determined. Land is the only capital asset category which includes nominal values and these are primarily for small parcels of land such as reserve strips and walkways.

Works of Art and Historical Treasures

The City of Toronto owns both works of art and historical treasures at various City owned facilities such as Casa Loma, Old City Hall, and its museums, such as Fort York. The City of Toronto maintains and preserves these assets because of their historical and cultural significance. These assets are not recorded as tangible capital assets and are not amortized.

Impairment of Tangible Capital Assets

Capital asset condition and state of good repair reviews are conducted on regular basis to assess potential impairments. Minor impairments are addressed through the capital plans. Any capital assets which are significantly impaired are written down by the value of the impairment.

Additional information on the City's tangible capital assets is provided in Schedule 1.

15. Inventories and Prepaid Expenses

	2011	2010
Prepaid Expenses	40,860	133,846
Inventories	179,656	118,985
Inventories of Surplus Property	73,827	28,758
	294,343	**281,589**

16. Commitments and contingencies

a) The City is subject to various litigation and claims arising in the normal course of its operations. The final outcome of the outstanding claims cannot be determined at this time. However, management believes that the ultimate disposition of these matters will not materially exceed the amounts recorded in the accounts. Any amendment to amounts accrued will be recorded once new information becomes available.

b) Exposures on property, liability, and accident claims are covered by a combination of self-insurance and coverage with insurance carriers. Provisions for property, liability and accident claims are recorded in other liabilities (Note 9) on the consolidated statement of financial position in the aggregate amount of $454,054 (2010 - $361,692).

c) In February 2005, December 2007, December 2008 and October 2009, contracts were awarded by the TTC for purchase of low-floor buses which comprised 694 diesel-electric hybrid buses and 395 diesel buses at a total purchase price of $755,500. At December 31, 2011, 60 of the 395 diesel buses are still to be delivered and the outstanding commitment is $71,100.

d) On December 21, 2006, a contract was awarded by the TTC for the purchase of 234 subway cars or 39 train sets. In May 2010, the TTC approved purchasing an additional 10 subway trainsets for the Toronto-York Spadina Subway line extension and 21 H6 replacement trainsets for the total cost of $1,214,300. The first trainset was delivered in October 2010. At December 31, 2011, 13 trainsets had been delivered at a cost of $158,000. As at December 31, 2011, TTC had made further progress payments of $543,600, which is included in assets under construction, and the Commission had incurred costs to date of $701,600. The outstanding commitment as at December 31, 2011 is $512,700.

e) In October 2008 and September 2010, contracts were awarded by the TTC for the purchase of 198 Wheel-Trans low-floor para-transit buses at a total cost of $71,000. At December 31, 2011, 110 buses had been delivered at a cost of $36,600. No buses were received in 2011. At December 31, 2011, the outstanding commitment is $34,400.

f) On June 26, 2009, a contract was awarded by the TTC for the design and supply of 204 Light Rail Vehicles ("LRVs") at a total cost of $990,200. As at December 31, 2011, the TTC had incurred costs of $280,300, which is included in assets under construction. The first delivery of the LRVs is scheduled for 2012 and all 204 cars are to be delivered by 2018. At December 31, 2011, the outstanding commitment is $709,900.

g) At December 31, 2011, the TTC has other various capital project contractual commitments of $1,353,600 (2010 - $640,600). Of this amount, contractual commitments of $1,048,200 (2010 - $342,900) relate to the Toronto York Spadina Subway Extension project and $40,400 (2010 - $68,800) relate to Metrolinx projects.

h) The TTC has a long-term provision for environmental costs of $13,400 (2010 - $8,520) to cover estimated costs of remediating sites with known contamination for which the TTC is responsible. Given that the estimate of environmental liabilities is based on a number of assumptions, actual costs may vary. The estimated amounts of

future restoration costs are reviewed regularly, based on available information and governing legislation. Provisions for environmental costs are recorded in other liabilities (Note 9) on the consolidated statement of financial position.

i) The Ministry of the Environment has issued Certificates of Approval for 29 (2010 – 28) of the identified 160 (2010 – 160) inactive landfill sites. Applications for Certificates of Approval at other inactive sites may be required prior to the commencement of any remediation work. It is not possible to quantify the effect, if any, of this request on these consolidated financial statements beyond those amounts recorded as landfill closure and post-closure liabilities (Note 10).

j) Council has approved the Policy for the Provision of Line of Credit and Loan Guarantees for Cultural and Community-Based Organizations that have a financial relationship with the City. The Capital Loan and Line of Credit Guarantee Policy is limited to an aggregate of $125,000 and the Operating Loan and Line of Credit Policy is limited to an aggregate of $10,000 that can be issued by the City to these organizations. At December 31, 2011 the City had provided capital loan guarantees to certain third parties amounting to $64,450 (2010 - $58,650), and operating loan and line of credit guarantees of $4,300 (2010 - $4,300), primarily related to several cultural non-profit organizations.

k) At December 31, 2011, the City is committed to future minimum annual operating lease payments for premises and equipment as follows:

	$
2012	51,729
2013	40,175
2014	30,078
2015	24,695
2016	19,046
Thereafter	62,237
	227,960

17. Accumulated Surplus

Accumulated surplus is comprised of the following:

	2011	2010
	$	$
Invested in tangible capital assets (Note 14)	20,629,025	19,589,103
Operating fund	2,578,673	2,046,730
Capital fund	(786,582)	(910,537)
Reserves and reserve funds	1,305,804	1,355,092
	23,726,920	22,080,388
Amounts to be recovered from future revenues:		
Mortgages (Note 11)	(773,590)	(803,636)
Net long-term debt (Note 12)	(3,264,220)	(2,890,472)
Recoverable from TDSB (Note 12)	30,190	33,815
Landfill closure and post-closure liabilities (Note 10)	(121,440)	(121,058)
Employee benefits (Note 13)	(2,776,167)	(2,588,957)
Other	(309,621)	(225,026)
	(7,214,848)	(6,595,334)
	16,512,072	**15,485,054**

Reserves and reserve funds consist of the following:

	2011	2010
Reserves:	$	$
Corporate	288,761	319,724
Stabilization	162,244	151,914
Water and Wastewater	31,516	56,564
Donations	2,014	2,045
Community Initiatives	23	23
	484,558	530,270
Reserve Funds:		
Employee Benefits (Note 13)	164,627	182,586
Corporate	439,475	414,402
Community Initiatives	78,927	91,277
State of Good Repair	138,217	136,557
	821,246	**824,822**

18. Budget Data – unaudited

Budget data presented in these consolidated financial statements are based upon the 2011 operating and capital budgets approved by Council. Adjustments to budgeted values were required to provide comparative budget values based on the full accrual basis of accounting. The chart below reconciles the approved budget with the budget figures as presented in these consolidated statements.

	Budget Amount $
Revenue	
Approved budgets:	
Operating	9,339,211
Capital	3,028,687
Reserve	39,201
	12,407,099
Adjustments:	
Proceeds on disposal of assets	–
Proceeds on debt issue	(1,112,969)
Total revenue	**11,294,130**
Expenses	
Approved budgets:	
Operating	9,538,025
Capital	3,574,173
	13,112,198
Adjustments:	
Tangible Capital Assets (TCA)	(2,840,000)
Amortization	900,000
Debt principal repayments	(224,088)
Total expenses	**10,948,110**
Annual surplus	**346,020**

19. Funding Transfers from Other Governments

	2011 $	2010 $
General government	144,222	106,000
Protection to persons & property	44,184	50,553
Transportation	633,139	664,285
Environmental services	63,437	106,062
Health services	266,485	256,048
Social and family services	1,500,083	1,548,849
Social Housing	416,169	372,880
Recreation and cultural services	35,277	31,578
Planning and development	45,355	36,987
	3,148,351	**3,173,242**

20. Expenses by Object

Expenses by object comprise the following:

	2011	2010
	$	$
Salaries, wages and benefits	5,053,751	4,826,928
Materials	1,034,737	1,072,005
Contracted services	1,494,990	1,386,031
Interest on long-term debt	267,240	273,275
Transfer payments	1,677,193	1,636,974
Amortization (Schedule 1)	814,522	1,018,351
Other	307,638	328,614
	10,650,071	**10,542,178**

21. Segmented Information

The City provides a wide range of services to its citizens. Certain services are delivered on behalf of another level of government, a number of services are cost shared, and some services are fully funded by the municipality. Services are delivered through a number of different agencies, boards, commissions, and divisions, with certain services delivered directly, while others may be fully or partially contracted through other organizations.

For each reported segment, revenues and expenditures represent both amounts that are directly attributable to the segment, as well as amounts that are allocated to the segment on a reasonable basis. The accounting policies used in the segments are consistent with the accounting policies followed in the preparation of these consolidated financial statements as disclosed in Note 1.

The segmented information is provided in Appendices 2 to 4 of the consolidated financial statements.

Appendix 2 includes the following segments:

- **General government** is comprised of Council, administration and amounts paid to the Municipal Property Assessment Corporation. These divisions are responsible for bylaws and administrative policies, levying taxes, acquiring and managing City assets, ensuring effective financial management, planning and budgeting, monitoring financial and operating performance, and ensuring that high quality City service standards are met.

- **Protection to persons and property** is comprised of police, fire and other protective services such as By-law Enforcement, Animal Control, Vehicle and Business Licensing, Security and Provincial Offences. These groups maintain the safety and security of all citizens by reducing or eliminating loss of life and property, maintaining law enforcements, and preserving peace and good order.

- **Transportation** includes transit, roads, traffic and parking services. Transit services provide local public transportation for all citizens within the City of Toronto. Other transportation services provide planning, development, and maintenance of roads, traffic operations, parking, winter control and street lighting.

- **Environmental services** include water supply and distribution, wastewater treatment, and waste and recycling services. These services provide clean drinking water to residents, collect and treat wastewater, and collect and properly process waste and recycling items.

- **Health services** include paramedic and mandated health services. Mandated health services promote and maintain health programs that optimize the health of residents. Paramedic Services deliver timely and effective care for pre-hospital emergency care, along with medically required inter-hospital transportation.

- **Social and family services** include social assistance, long-term care and child care services. Social assistance services determine, issue, and monitor clients' eligibility for financial, social, and employment assistance. Long-term care services provide secure and supervised health services for seniors who can no longer live at home. Child care services provide subsidized child care spaces and provide funding for wage subsidy, pay equity, and special needs.

- **Social housing** provides a range of services including high-quality housing for low and moderate income tenants, emergency shelters, outreach, search, and stabilization to people in the community.

- **Recreation and cultural services** include parks services, recreational programs, recreation facilities, Golf courses, libraries, museums and other cultural services and activities. Parks and recreation services develop and deliver high-quality recreational programs, and develop and maintain recreational facilities, parks and sports fields to ensure all residents have the opportunity to enjoy a healthy lifestyle. Cultural services invest in local non-profit organizations that deliver services on behalf of the City. Library services provide public library services to the citizens via physical facilities, bookmobile, virtual and telephone services.

- **Planning and development** manages urban development for residential and business interests as well as infrastructure. It includes planning and zoning, commercial and industrial developments and forestry.

Appendix 3 and 4 reflect disclosure by entity which are significant agencies, boards and commissions for the City of Toronto.

22. Trust Funds

Trust funds administered by the City amounting to $26,888 (2010 - $26,673) have not been included on the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations and accumulated surplus. Trust fund balances as at December 31 are as follows:

	2011	2010
	$	$
Development Charges Trust Fund – Railway Lands	7,619	7,145
Keele Valley Site Post-Closure Trust Fund (Note 10)	7,444	7,421
Homes for the Aged Trust Fund – Residents	6,160	6,429
Community Services Levies Trust Fund	1,179	1,167
Contract Aftercare Trust Fund	1,065	1,056
Waterpark Place Trust Fund	1,053	1,041
90 Lisgar Street Trust Fund	607	599
Development Charges Trust Fund – Queen's Quay	527	522
Heritage and Culture Trust Funds	392	388
Lakeshore Pedestrian Bridge Trust Fund	242	239
Children's Greenhouse Trust Fund – Allan Gardens	110	109
Green Lane Small Claims Trust Fund	106	105
Police Trust Funds	33	64
Candidates' Municipal Election Surpluses Trust Fund	28	62
Other trust funds	323	326
	26,888	**26,673**

23. Comparative Consolidated Financial Statements

The comparative consolidated financial statements have been regrouped from statements previously presented to conform with the presentation adopted in 2011.

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

2011

	Cost 2011					Accumulated Amortization 2011				Net Book Value 2011
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,538,445	25,863	(79,143)	10,556	3,495,721	–	–	–	–	3,495,721
Land Improvements	614,863	24,532	(11,576)	105	627,924	289,364	19,015	(2,643)	305,736	322,188
Buildings and building improvements	5,825,861	489,636	(146,133)	–	6,169,364	1,990,681	189,021	(19,026)	2,160,676	4,008,688
Machinery and equipment	1,399,909	230,991	(52,314)	–	1,578,586	824,615	134,481	(44,707)	914,389	664,197
Vehicles	1,932,757	71,333	(47,163)	–	1,956,927	1,130,439	124,185	(45,524)	1,209,100	747,827
Total General	**13,311,835**	**842,355**	**(336,329)**	**10,661**	**13,828,522**	**4,235,099**	**466,702**	**(111,900)**	**4,589,901**	**9,238,621**
Infrastructure										
Land	137,676	–	–	–	137,676	–	–	–	–	137,676
Buildings and building improvements	365,650	19,144	–	–	384,794	120,988	4,837	–	125,825	258,969
Machinery and equipment	1,376,525	124,911	(8,074)	–	1,493,362	802,028	37,460	(6,525)	832,963	660,399
Water and wastewater linear	4,999,822	141,584	(31,258)	–	5,110,148	1,833,170	60,473	(13,073)	1,880,570	3,229,578
Roads linear	3,820,548	137,121	(28,034)	–	3,929,635	1,744,993	86,521	(22,238)	1,809,276	2,120,359
Transit	5,087,432	304,366	(3,568)	–	5,388,230	3,150,936	158,529	(3,568)	3,305,897	2,082,333
Total infrastructure	**15,787,653**	**727,126**	**(70,934)**	**–**	**16,443,845**	**7,652,115**	**347,820**	**(45,404)**	**7,954,531**	**8,489,314**
Assets under construction	**2,376,829**	**818,791**	**(294,530)**	**–**	**2,901,090**	**–**	**–**	**–**	**–**	**2,901,090**
TOTAL	**31,476,317**	**2,388,272**	**(701,793)**	**10,661**	**33,173,457**	**11,887,214**	**814,522**	**(157,304)**	**12,544,432**	**20,629,025**

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS – SCHEDULE 1

As at and for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

2010

	Cost 2010					Accumulated Amortization 2010				Net Book Value 2010
	Beginning	Additions	Disposals / Transfers	Donated	Ending	Beginning	Amortization	Disposals	Ending	
General										
Land	3,507,105	44,952	(14,809)	1,197	3,538,445	–	–	–	–	3,538,445
Land Improvements	589,364	28,953	(3,454)	–	614,863	279,690	12,994	(3,320)	289,364	325,499
Buildings and building improvements	5,264,908	579,505	(18,552)	–	5,825,861	1,804,166	187,047	(532)	1,990,681	3,835,180
Machinery and equipment	1,346,966	91,091	(38,148)	–	1,399,909	708,527	163,263	(47,175)	824,615	575,294
Vehicles	1,840,514	156,030	(63,787)	–	1,932,757	967,922	205,500	(42,983)	1,130,439	802,318
Total General	**12,548,857**	**900,531**	**(138,750)**	**1,197**	**13,311,835**	**3,760,305**	**568,804**	**(94,010)**	**4,235,099**	**9,076,736**
Infrastructure										
Land	133,302	4,374	–	–	137,676	–	–	–	–	137,676
Buildings and building improvements	365,650	–	–	–	365,650	116,230	4,758	–	120,988	244,662
Machinery and equipment	1,359,409	17,869	(753)	–	1,376,525	767,577	34,758	(307)	802,028	574,497
Water and wastewater linear	4,851,337	156,676	(8,191)	–	4,999,822	1,779,043	58,532	(4,405)	1,833,170	3,166,652
Roads linear	3,639,177	238,521	(57,150)	–	3,820,548	1,708,622	83,739	(47,368)	1,744,993	2,075,555
Transit	4,979,031	110,714	(2,313)	–	5,087,432	2,905,149	267,760	(21,973)	3,150,936	1,936,496
Total infrastructure	**15,327,906**	**528,154**	**(68,407)**	**–**	**15,787,653**	**7,276,621**	**449,547**	**(74,053)**	**7,652,115**	**8,135,538**
Assets under construction	**1,549,073**	**1,216,200**	**(388,444)**	**–**	**2,376,829**	**–**	**–**	**–**	**–**	**2,376,829**
TOTAL	**29,425,836**	**2,644,885**	**(595,601)**	**1,197**	**31,476,317**	**11,036,926**	**1,018,351**	**(168,063)**	**11,887,214**	**19,589,103**

SCHEDULE OF GOVERNMENT BUSINESS ENTERPRISES – APPENDIX 1

As at and for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

Condensed Financial Results ($) Fiscal Year Ended	Toronto Hydro Corporation December 31		Toronto Parking Authority December 31		Enwave October 31		Toronto Port Lands Company December 31		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Financial Position										
Assets										
Current	656,278	805,310	24,784	29,893	38,193	38,593	33,213	–	752,468	873,796
Capital	2,399,497	2,128,777	138,872	144,611	307,486	294,751	341,258	–	3,187,113	2,568,139
Other	400,002	434,774	70,926	66,987	24,670	23,876	152,956	–	648,554	525,637
	3,455,777	**3,368,861**	**234,582**	**241,491**	**370,349**	**357,220**	**527,427**	–	**4,588,135**	**3,967,572**
Liabilities										
Current	448,061	640,385	23,125	43,542	16,776	16,875	8,944	–	496,906	700,802
Long-term	1,905,468	1,689,097	6,736	8,896	222,027	110,745	149,049	–	2,283,280	1,808,738
	2,353,529	**2,329,482**	**29,861**	**52,438**	**238,803**	**127,620**	**157,993**	–	**2,780,186**	**2,509,540**
Net equity	**1,102,248**	**1,039,379**	**204,721**	**189,053**	**131,546**	**229,600**	**369,434**	–	**1,807,949**	**1,458,032**
City's share (Note 5)	**1,074,183**	**1,007,781**	**204,721**	**189,053**	**67,755**	**62,950**	**369,434**	–	**1,716,093**	**1,259,784**
Results of Operations										
Revenues	2,813,143	2,621,213	126,547	147,818	83,180	80,271	37,638	–	3,060,508	2,849,302
Expenses	2,717,211	2,555,088	69,475	68,726	73,903	69,114	30,996	–	2,891,585	2,692,928
Net income (loss)	**95,932**	**66,125**	**57,072**	**79,092**	**9,277**	**11,157**	**6,642**	–	**168,923**	**156,374**
City's share (Note 5)	**95,932**	**66,125**	**57,072**	**79,092**	**3,991**	**4,799**	**6,642**	–	**163,637**	**150,016**
Distribution to City (Note 5)	–	–	42,749	59,293	–	–	–	–	42,749	59,293
Dividends paid to City (Note 5)	33,063	25,000	–	–	–	–	–	–	33,063	25,000
Net book value of assets sold from the City to Toronto Hydro Corporation (Note 5)	28,065	31,598	–	–	–	–	–	–	28,065	31,598
Net book value of assets transferred from Enwave to the City (Note 5)	–	–	–	–	35,003	35,817	–	–	35,003	35,817

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – APPENDIX 2*

for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

	2011									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	4,006,029	–	–	–	–	–	–	–	–	4,006,029
User charges	40,992	169,627	1,097,504	1,052,821	1,513	68,730	17,240	158,695	25,354	2,632,476
Government transfers	144,222	44,184	633,139	63,437	266,485	1,500,083	416,169	35,277	45,355	3,148,351
Net GBE income	188,041	–	–	–	–	–	–	–	–	188,041
Other	308,084	51,837	373,859	97,817	4,025	26,820	320,478	129,808	58,225	1,370,953
TOTAL REVENUES	**4,687,368**	**265,648**	**2,104,502**	**1,214,075**	**272,023**	**1,595,633**	**753,887**	**323,780**	**128,934**	**11,345,850**
Salaries, wages and benefits	397,623	1,506,641	1,300,420	262,747	318,754	554,631	120,956	536,708	55,271	5,053,751
Materials	373,433	18,583	324,554	144,405	18,352	58,324	15,763	76,517	4,806	1,034,737
Contracted services	195,047	19,812	424,372	230,809	42,178	239,527	155,618	106,059	81,568	1,494,990
Interest on long-term debt	9,680	9,118	139,199	8,606	747	3,186	72,875	17,213	6,616	267,240
Transfer payments	255,635	19,450	57,437	21,630	141	1,147,838	143,789	31,746	(473)	1,677,193
Other	(107,126)	47,039	(7,640)	86,146	15,000	45,797	175,917	27,725	24,780	307,638
Amortization	71,665	46,972	403,918	116,716	4,035	178	118,830	51,303	905	814,522
TOTAL EXPENSES	**1,195,957**	**1,667,615**	**2,642,260**	**871,059**	**399,207**	**2,049,481**	**803,748**	**847,271**	**173,473**	**10,650,071**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,491,411**	**(1,401,967)**	**(537,758)**	**343,016**	**(127,184)**	**(453,848)**	**(49,861)**	**(523,491)**	**(44,539)**	**695,779**

***Definition of Segments by Service provided in Note 20 – Segmented Information.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – SERVICE – APPENDIX 2*

for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

	2010									
	General Government	Protection	Transportation	Environmental	Health	Social and Family	Social Housing	Recreation and Cultural	Planning and Development	Consolidated
Taxation	3,968,421	–	–	–	–	–	–	–	–	3,968,421
User charges	48,257	156,420	1,049,019	1,010,679	3,353	68,362	16,869	157,205	18,929	2,529,093
Government transfers	106,000	50,553	664,285	106,062	256,048	1,548,849	372,880	31,578	36,987	3,173,242
Net GBE income	153,294	–	–	–	–	–	–	–	–	153,294
Other	294,387	109,024	234,283	152,235	4,125	20,754	319,564	78,294	59,306	1,271,972
TOTAL REVENUES	**4,570,359**	**315,997**	**1,947,587**	**1,268,976**	**263,526**	**1,637,965**	**709,313**	**267,077**	**115,222**	**11,096,022**
Salaries, wages and benefits	382,908	1,374,613	1,287,947	260,291	319,874	544,935	117,162	488,946	50,252	4,826,928
Materials	323,879	8,827	468,567	126,599	22,903	30,975	17,198	68,493	4,564	1,072,005
Contracted services	187,445	45,608	236,110	273,028	35,541	261,991	204,259	84,878	57,171	1,386,031
Interest on long-term debt	26,338	12,274	122,492	9,479	866	3,507	74,067	20,025	4,227	273,275
Transfer payments	55,163	46,840	71,716	76,061	12,953	1,184,359	161,815	43,227	(15,160)	1,636,974
Other	70,367	29,860	10,261	14,695	3,230	13,265	133,687	26,726	26,523	328,614
Amortization	19,664	51,688	636,851	123,744	5,904	1,801	110,099	63,615	4,985	1,018,351
TOTAL EXPENSES	**1,065,764**	**1,569,710**	**2,833,944**	**883,897**	**401,271**	**2,040,833**	**818,287**	**795,910**	**132,562**	**10,542,178**
ANNUAL SURPLUS/ (DEFICIENCY)	**3,504,595**	**(1,253,713)**	**(886,357)**	**385,079**	**(137,745)**	**(402,868)**	**(108,974)**	**(528,833)**	**(17,340)**	**553,844**

***Definition of Segments by Service provided in Note 20 – Segmented Information.**

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

2011

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	4,006,029	–	–	–	–	–	4,006,029
User charges	1,539,455	7,333	976,015	4,182	17,240	88,251	2,632,476
Government transfers	376,555	42,824	2,055,768	203,347	382,481	87,376	3,148,351
Net GBE income	188,041	–	–	–	–	–	188,041
Other	682,774	36,014	213,554	17,827	318,390	102,394	1,370,953
TOTAL REVENUES	**6,792,854**	**86,171**	**3,245,337**	**225,356**	**718,111**	**278,021**	**11,345,850**
Salaries, wages and benefits	2,538,999	1,012,872	1,123,418	154,226	117,727	106,509	5,053,751
Materials	748,110	2,456	228,193	28,202	15,961	11,815	1,034,737
Contracted services	973,997	12,446	225,127	211	155,618	127,591	1,494,990
Interest on long–term debt **	183,964	8,423	–	–	72,875	1,978	267,240
Transfer payments	2,731,493	205	(448,283)	(177,638)	(410,606)	(17,978)	1,677,193
Other	105,286	12,543	(9,126)	–	175,917	23,018	307,638
Amortization	305,114	40,315	312,996	28,661	118,830	8,606	814,522
TOTAL EXPENSES	**7,586,963**	**1,089,260**	**1,432,325**	**33,662**	**246,322**	**261,539**	**10,650,071**
ANNUAL SURPLUS/ (DEFICIENCY)	**(794,109)**	**(1,003,089)**	**1,813,012**	**191,694**	**471,789**	**16,482**	**695,779**

** As at December 31, the City has issued $2,124,391 in debentures for capital expenditures made on behalf of the TTC (2010: $1,806,229). Included in interest on long-term debt is $ 103,327 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – ENTITY – APPENDIX 3

for the year ended December 31, 2010

(all dollar amounts in thousands of dollars)

2010

	City	Police Services	Toronto Transit Commission	Toronto Public Library	Toronto Community Housing Corporation	Other Agencies, Boards and Commissions	TOTAL
Taxation	3,968,421	–	–	–	–	–	3,968,421
User charges	1,479,898	6,790	934,889	4,129	16,869	86,518	2,529,093
Government transfers	2,993,760	38,694	–	4,646	95,520	40,622	3,173,242
Net GBE income	153,294	–	–	–	–	–	153,294
Other	696,871	100,366	60,270	6,293	317,391	90,781	1,271,972
TOTAL REVENUES	**9,292,244**	**145,850**	**995,159**	**15,068**	**429,780**	**217,921**	**11,096,022**
Salaries, wages and benefits	2,379,766	951,491	1,141,766	144,867	117,162	91,876	4,826,928
Materials	629,890	31,376	371,165	3,069	17,198	19,307	1,072,005
Contracted services	1,086,081	9,480	32,658	(24,690)	204,259	78,243	1,386,031
Interest on long–term debt **	190,104	9,104	–	–	74,067	–	273,275
Transfer payments	3,671,763	9,063	(1,397,054)	(192,821)	(413,331)	(40,646)	1,636,974
Other	134,607	20,248	2,962	–	133,687	37,110	328,614
Amortization	282,425	44,978	542,319	27,596	110,497	10,536	1,018,351
TOTAL EXPENSES	**8,374,636**	**1,075,740**	**693,816**	**(41,979)**	**243,539**	**196,426**	**10,542,178**
ANNUAL SURPLUS/ (DEFICIENCY)	**917,608**	**(929,890)**	**301,343**	**57,047**	**186,241**	**21,495**	**553,844**

** As at December 31, the City has issued $1,806,229 in debentures for capital expenditures made on behalf of the TTC (2009: $1,595,168). Included in interest on long-term debt is $91,269 related to this debt.

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE – TANGIBLE CAPITAL ASSETS BY ENTITY – APPENDIX 4

for the year ended December 31, 2011

(all dollar amounts in thousands of dollars)

2011 and 2010

	City, including Police Services	Toronto Transit Commission	Toronto Community Housing Corporation	Toronto Port Lands Company	Toronto Public Library	Other Agencies, Boards and Commissions	TOTAL
2011							
General							
Cost	6,571,149	3,457,604	3,235,430	–	369,417	194,922	13,828,522
Accumulated amortization	1,629,245	1,824,296	944,828	–	143,957	47,575	4,589,901
Net Book Value	**4,941,904**	**1,633,308**	**2,290,602**	**–**	**225,460**	**147,347**	**9,238,621**
Infrastructure							
Cost	11,055,615	5,388,230	–	–	–	–	16,443,845
Accumulated amortization	4,648,634	3,305,897	–	–	–	–	7,954,531
Net Book Value	**6,406,981**	**2,082,333**	**–**	**–**	**–**	**–**	**8,489,314**
Assets under construction	**958,569**	**1,799,424**	**135,199**	**–**	**7,898**	**–**	**2,901,090**
Total	**12,307,454**	**5,515,065**	**2,425,801**	**–**	**233,358**	**147,347**	**20,629,025**
2010							
General							
Cost	6,453,336	3,105,012	3,077,285	173,653	355,014	147,535	13,311,835
Accumulated amortization	1,530,869	1,682,463	825,468	13,434	145,351	37,514	4,235,099
Net Book Value	**4,922,467**	**1,422,549**	**2,251,817**	**160,219**	**209,663**	**110,021**	**9,076,736**
Infrastructure							
Cost	10,700,221	5,087,432	–	–	–	–	15,787,653
Accumulated amortization	4,501,179	3,150,936	–	–	–	–	7,652,115
Net Book Value	**6,199,042**	**1,936,496**	**–**	**–**	**–**	**–**	**8,135,538**
Assets under construction	**723,125**	**1,537,760**	**106,356**	**–**	**9,588**	**–**	**2,376,829**
Total	**11,844,634**	**4,896,805**	**2,358,173**	**160,219**	**219,251**	**110,021**	**19,589,103**

GLOSSARY

ABC: The City's agencies, boards and commissions are referred to as ABCs.

Accrued Benefit Obligation: see Employee Benefits Liability – Gross.

Accrued Benefit Liability: see Employee Benefits Liability – Net.

Accrual Accounting: the accrual basis of accounting recognizes revenues as they are earned and measurable; expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of legal obligation to pay. This is also known as the full accrual basis of accounting. Previously municipal governments did not capitalize tangible capital assets and recorded them as expenditures. This was the only exception to the accrual basis of accounting and therefore municipal accounting was previously referred to as the modified accrual basis of accounting.

Accumulated amortization: the sum of all amortization expensed on a given asset or asset class to-date.

Accumulated surplus: the difference between the City's non-financial assets and its net debt. The accumulated surplus is the sum of: assets invested in tangible capital assets, the operating, capital and reserve funds, net of amounts to be recovered.

Amortization expense: annual charge to expense to represent allocation of an asset's cost over its useful life.

Amounts to be recovered: the sum of items that have not been included in previous budgets and that will be recovered from future rates or taxes. Amounts to be recovered consist of outstanding debt, unfunded future employment costs, unfunded landfill post-closure costs, as well as unfunded environmental, property and liability claims.

Bankers Acceptance (BA): A short-term debt instrument that is guaranteed by a commercial bank.

BOG: the Board of Governors of Exhibition Place

Budget - operating: an outline of the government's operating revenue and expense plan for the upcoming year. The Operating Budget is formally presented early each year, and is subject to public consultation and debate prior to approval. Separate operating budgets are prepared for the tax supported and each of the rate supported areas. The Operating Budget sets out the amount of taxes to be collected for the year, as well as fees to be charged and authorized expenses.

Budget - capital: an outline of the government's capital revenue and expense plans for the upcoming year. Certain capital projects are budgeted on a life-to-date basis.

Business Improvement Area (BIA): A Business Improvement Area is an association of commercial property owners and tenants within a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners, tourists, and new businesses.

CICA: the Canadian Institute of Chartered Accountants. The CICA conducts research into current business issues and supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government.

City of Toronto Act, 2006: an Ontario Statute that outlines the broad permissive powers of the City of Toronto to pass by-laws that range from public safety, to the City's economic, social and environmental well being.

Consolidated statements: financial statements which include all of the entities controlled by the City.

Consolidation: inclusion of all entities controlled by the City, except for those which qualify as government business enterprises, on a line-by-line basis in the City's financial statements.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. The uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of a contract or agreement are met.

CVA: Under Current Value Assessment a property is assessed for tax purposes at the price that it would be expected to sell for by a willing seller to a willing buyer.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: a financial obligation from borrowing money.

Deferred revenue: amounts received regarding obligatory reserve funds or funds with other internal or external restrictions, which have remain unspent at year end. These amounts are shown with liabilities and are recognized in revenue when they are spent for their intended purpose.

Deficit: the amount, if any, by which government expenses exceed revenues in any given year. Unlike the senior levels of government, municipalities cannot budget to run a deficit.

Derivatives: financial contracts that derive their value from other underlying instruments. TCHC has used a derivative to hedge interest costs.

Employee Benefits Liability - Gross: the present value of the expected payouts for benefits which employees have earned at year end. This amount is calculated by the City's actuaries every three years, and updated based on actual data between valuations.

Employee Benefits Liability - Net: the amount recorded in the Statement of Financial Position representing the present value of the expected payouts for benefits which employees have earned at year end, after allowing for the required smoothing of actuarial gains and losses. PSAB requires amortization of each actuarial gain or loss over the Expected Average remaining Service Life of the employee group, at the time of the actuarial valuation. This net liability may be lower than the gross liability when actuarial losses exceed gains (as in 2008), or larger than the gross liability when gains exceed losses (as in 2009).

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; and a financial claim on an outside organization or individual.

Fiscal Year: the City of Toronto's fiscal year runs from January 1 to December 31.

GAAP: generally accepted accounting principles, as laid out in the relevant Handbook – the Public Sector Accounting Handbook for government organizations and the CICA Handbook or IFRS for Government Business Enterprises.

GAAS: generally accepted auditing standards. Standards established by Canadian Institute of Chartered Accountants (CICA) for use by public accountants when conducting external audits of the financial statements.

Government Business Enterprise (GBE): an organization that has all of the following characteristics: a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) it has been delegated the financial and operational authority to carry on a business; c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Government business enterprises are accounted for under the modified equity method.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The City can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

International Financial Reporting Standards (IFRS): Government Business Enterprises must follow IFRS for fiscal years beginning on or after January 1, 2011. Other government organizations may also choose to follow IFRS. IFRS reporting is also mandatory for publicly accountable (non-government) enterprises beginning in 2011. IFRSs are now available in part I of the CICA Handbook.

Liabilities: are present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. These liabilities have three essential characteristics: (a) they embody a duty or responsibility to others, leaving a government little or no discretion to avoid settlement of the obligation; (b) the duty or responsibility to others entails settlement by future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand; and (c) the transactions or events obligating the government have already occurred.

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation in the event of default by the borrower.

LRVs: Light Rail Vehicles.

LTD: Long Term Disability.

Modified Equity Method of Accounting: investment balances are adjusted for any earnings or losses of the government business enterprise, without adjustment to correspond to public sector GAAP.

MPAC: The Municipal Property Assessment Corporation is a non profit organization which serves Ontario property taxpayers together with provincial and municipal stakeholders by providing property assessments and enumeration services.

Multi-employer Pension Plan: is a defined benefit pension plan to which two or more governments or government organizations contribute, usually pursuant to legislation or one or more collective bargaining agreements. The main distinguishing characteristic of a multi-employer plan is that the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and, thus may be used to provide benefits to employees of all participating entities.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the City's total liabilities and financial assets. It represents the City's future revenue requirements to pay for past transactions and events.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Obligatory reserve funds: amounts collected from developers or through other legislation or legal agreement, which must be spent in a prescribed manner.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

PSAB: the Public Sector Accounting Board (PSAB) of the CICA sets standards and provides guidance for financial and other performance information reported by the public sector.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Recognition: the process of including an item in the financial statements of an entity.

Reserves and reserve funds: fiscal and accounting entity segregated by Municipal Council for the purpose of carrying on specific activities or attaining certain objectives in accordance with internally or externally established restrictions or limitations. By City policy and practice, interest earnings are applied only to reserve funds, while reserves do not earn interest.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset less the residual value by ii) the number of years the asset is expected to be used.

Surplus: the amount by which revenues exceed expenses in any given year.

TAF: the Toronto Atmospheric Fund

Tangible Capital Assets: physical assets including land, buildings, transportation and transit infrastructure, water & wastewater infrastructure, vehicles and equipment. These assets are recorded in the City's consolidate financial statements for the first time in 2009.

TCHC: the Toronto Community Housing Corporation

TDSB: the Toronto District School Board

TEDCO: Toronto Economic Development Corporation, carrying on business as Toronto Portlands Company (TPLC)

TPLC: see TEDCO

Total Debt: the City's total borrowings outstanding.

TPA: Toronto Parking Authority

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase or sale transaction; expect to be repaid, as would be expected in a loan; or expect a financial return, as would be expected in an investment.

TTC: the Toronto Transit Commission

TWRC: the Toronto Waterfront Revitalization Corporation

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

WSIB: the Workplace Safety and Insurance Board